DOCUMENT RESUME

ED 373 894 PS 022 614

TITLE	Healthy Meals for Healthy Americans Act of 1994. Committee on Agriculture Report To Accompany H.R. 8. House of Representatives, 103D Congress, 2d Session.
INSTITUTION	Congress of the U.S., Washington, D.C. House Committee on Agriculture.
REPORT NO	House-R-103-535-Pt-2
PUB DATE	24 Jun 94
NOTE	36p.; For Part 1, see PS 022 610.
PUB TYPE	Legal/Legislative/Regulatory Materials (090)
EDRS PRICE	MF01/PC02 Plus Postage.
DESCRIPTORS	Elementary Secondary Education; *Federal Legislation; *Federal Programs; *Food Service; Food Standards; *Nutrition; Pilot Projects; Program Costs; Program Improvement; *School Activities
IDENTIFIERS	Child Nutrition Act 1966; Commodity Distribution Program; Congress 103rd; *Healthy Meals for Healthy Americans Act 1994; National School Lunch Act 1946; Reauthorization Legislation; Testimony; Women Infants Children Supplemental Food Program

ABSTRACT

This report discusses amendments offered by the Committee on Agriculture to H.R. 8, the Healthy Meals for Healthy Americans Act, which reauthorizes and improves the nutrition programs under the National School Lunch (NSL) Act and the Child Nutrition Act of 1966. The amendments deal with: (1) the amount of commodities provided to schools under the NSL Act; (2) the inspection of fish and fish products purchased by schools under the NSL Act; (3) waivers of statutory and regulatory requirements of NSL programs; (4) the improvement of the nutritional quality of entitlement commodities made available to schools under the NSL ACT; (5) NSL pilot projects; (6) the Women, Infants, and Children (WIC) Farmers; Market nutrition program; and (7) the distribution of a report on the use of private food establishments and caterers by schools participating in school lunch and breakfast programs. The report also includes a cost estimate for H.R. 8 prepared by the Congressional Budget Office. An appendix contains testimony supporting the legislation from Ellen Haas, the assistant secretary for Food and Consumer Services of the U.S. Department of Agriculture, Richard Pasco, a representative of the Commodity Distribution Coalition; and Marilyn Hurt, a representative of the American School Food Service Association. (MDM)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

103D CONGRESS
2d Session
HOUSE OF REPRESENTATIVES
REPT. 103–535
Part 2

HEALTHY MEALS FOR HEALTHY AMERICANS ACT OF 1994

JUNE 24, 1994.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. DE LA GARZA, from the Committee on Agriculture, submitted the following

REPORT

[To accompany H.R. 8]

[Including cost estimate of the Congressional Budget Office]

The Committee on Agriculture, to whom was referred the bill (H.R. 8) to amend the Child Nutrition Act of 1966 and the National School Lunch Act to extend certain authorities contained in such Acts through the fiscal year 1998, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

1. Add a new section 101 as follows (redesignate the following sections and the table of contents accordingly):

SEC. 101. REQUIREMENT OF MINIMUM PERCENTAGE OF COMMODITY ASSISTANCE UNDER NATIONAL SCHOOL LUNCH ACT.

Section 6 of the National School Lunch Act (42 U.S.C. 1755) is amended by adding at the end the following new subsection:

"(g) The Secretary shall ensure that not less than 12 percent of the assistance provided under section 4, this section, and section 11 of this Act shall be in the form of commodities provided under this section.

2. In section 103 (as redesignated), strike subsection (f).

3. In section 12(l)(4)(K) of the National School Lunch Act, as amended by section 106(d) (as redesignated), strike "and" and insert the following new subparagraph (L) and redesignate the existing subparagraph "(L)" as "(M)".

80–637

BEST COPY AVAILABLE

80–637 O - 94 - 1

ED 373 894
PS 022614
PS
U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
☐ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"(L) the commodity distribution program under section 14 of this Act; and

4. In section 12(l)(6)(B) of the National School Lunch Act, as amended by section 106(d) (as redesignated) insert "and the Committee on Agriculture" after "Education and Labor".

5. In section 108 (as redesignated), strike "Section 14 of the National School Lunch Act (42" and insert "(a) IN GENERAL.—Section 14 of the National School Lunch Act (42", and add the following new subsection (b) at the end thereof:

(b) COMBINATION OF FEDERALLY DONATED AND FEDERALLY INSPECTED MEAT OR POULTRY.—Section 14 of such Act (42 U.S.C. 1762a) is amended by adding at the end the following new subsection:

"(h) No State shall restrict or prohibit a legally contracted commercial entity from physically combining federally donated and federally inspected meat or poultry with federally donated and federally inspected meat or poultry from another State.".

6. In section 14(b)(2) of the National School Lunch Act, as amended by section 108(a) (as redesignated), insert "maintain and continue to" after "The Secretary shall".

7. In section 111 (as redesignated), strike "subsection (a)" and all that follows through "subsection (c)" and insert the following:

Section 18 of the National School Lunch Act (42 U.S.C. 1769) is amended by adding at the end the following new subsection:

8. In section 25(b)(1) of the National School Lunch Act, as amended by section 114(a) (as redesignated), insert "and the Committee on Agriculture" after "Education and Labor".

9. In section 302(b), insert "and the Committee on Agriculture" after "Education and Labor".

BRIEF EXPLANATION

H.R. 8, the Healthy Meals for Healthy Americans Act of 1988, reauthorizes the nutrition programs under the National School Lunch Act and the Child Nutrition Act of 1966 which are due to expire at the end of this fiscal year. The programs include the school lunch program and commodity distribution program under the National School Lunch Act, the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and its Farmer's Market Nutrition Program, the School Breakfast Startup and Expansion Program, the Homeless Preschoolers Nutrition Program, the Summer Food Service Program, the Nutrition Education and Training Program, and the National Food Service Management Institute. H.R. 8 also makes certain improvements in these important programs.

PURPOSE AND NEED

H.R. 8, the Healthy Meals for Healthy Americans Act of 1994, reauthorizes and improves expiring nutrition programs under the National School Lunch Act and the Child Nutrition Act of 1966.

In 1935, President Franklin D. Roosevelt established the school lunch program by authorizing USDA to donate surplus agricultural commodities to schools. Under section 32 of P.L. 74–320, which was enacted on August 24, 1935, the Secretary of Agriculture may buy fruits, vegetables, meat, fish, and poultry items under a surplus removal program for donation to school food programs and other domestic food programs. Commodity donations represented the only form of federal support for domestic food and nutrition programs until 1946, when the National School Lunch Act was enacted. Building on the strong base of agricultural support for school food programs, section 416 of the Agricultural Act of 1949 (which section was enacted in 1954) gave the Secretary additional authority to distribute to schools commodities obtained through price support activities. This authority has traditionally made grain products, dairy products, vegetable oils, and peanut products available to schools.

Section 2 of the National School Lunch Act provides that it is the policy of Congress, as a measure of national security "to safeguard the health and well-being of the Nation's children and to encourage the domestic consumption of nutritious agricultural commodities. * * *" H.R. 8 furthers these dual purposes by assuring the continuation and improvement of the school meals programs, including the distribution of agricultural commodities to the National School Lunch Program.

COMMODITY DISTRIBUTION PROGRAM

Over 15,000 school districts participate in the National School Lunch Program. These school districts receive cash subsidies and agricultural commodities purchased by USDA under price support and surplus removal programs. The commodity distribution program under the school lunch program has a dual purpose, consistent with the stated policy of the National School Lunch Act: to support the school lunch program, and to support domestic agriculture through timely purchases of surplus food. Commodities distributed to the school lunch program provide nutritious food at low cost to schools and simultaneously provide a distribution channel for commodities acquired by the federal government through farm programs or through surplus removal activities. Such commodities are purchased in bulk form and therefore USDA obtains food at a comparatively low cost.

Two types of commodities are offered to schools. In 1975, Congress enacted legislation requiring that USDA provide a specific level of commodity support to school food programs. These commodities are referred to as "entitlement" commodities. "Bonus" commodities are offered when USDA needs to reduce excess commodity holdings or alleviate a specific unexpected agricultural surplus.

The proportion of federal aid provided by entitlement commodities has shrunk from a high of approximately 20 percent in the late 1970's to slightly more than 12 percent. The Committee believes that commodities must remain an integral part of the school lunch program. To ensure that there is no further decline, the Committee adopted an amendment requiring that not less than 12 percent of the assistance provided under section 4, 6 and 11 of the National School Lunch Act must be in the form of commodities.

The Committee believes it is important that assistance through commodities continue at not less than its current level.

The Committee notes that the regulatory cost/benefit assessment that accompanies the regulations recently proposed by USDA to establish nutrition objectives for school meals assumes elimination of all butter and significant reductions in the quantity of cheese that USDA can provide to the school lunch and breakfast programs. In this regard, these proposed regulations are inconsistent with the recommendations of a committee of nutrition experts recently convened by the National Institutes of Health.

Based on recent nutrition surveys, that NIH committee concluded that the average diet of Americans has a calcium intake considerably below the recommended daily allowance. They further indicated that, without proper levels of calcium, children enter adulthood with a weakened skeleton, increasing their risk for osteoporosis (which currently afflicts 25 million Americans and is responsible for 1.5 million bone fractures and $10 billion in medical costs annually). The findings of the NIH panel confirms prior research that indicated that only 10 percent of girls between the ages of 12 and 17 receive their minimum daily requirement of calcium.

Since dairy products are the source of 75 percent of the calcium and 35 percent of the riboflavin consumed daily by school children, discouraging the consumption of dairy products in the school lunch and breakfast programs only serves to increase the calcium-deficient diets of many of our school-age children.

Accordingly, a requirement that not less than 12 percent of federal assistance provided to the school lunch program be used for basic commodities is most appropriate.

Further, while lowfat diets are to be encouraged, USDA materials suggesting the elimination of any particular commodity from the school lunch and breakfast programs are inconsistent with the USDA principle to a establish a "more flexible system that allows schools to concentrate on servicing a variety of foods."

CLOC

In 1981, the Congress enacted legislation requiring USDA to implement a 3-year demonstration project to test the feasibility of replacing the entitlement commodities with either additional cash payments or commodity letters of credit (CLOC). Under this demonstration authority, twenty-nine school districts receive checks equivalent to the value of the USDA entitlement commodities that they would otherwise receive. Another 26 school districts receive commodity letters of credit, instead of the entitlement commodities that they would otherwise receive, to purchase specific commodities, or products containing those commodities, from local sources within a designated time period.

The authority for these demonstration projects has been extended three times by the Congress, and will expire at the end of this fiscal year. The U.S. Department of Agriculture and agriculture producers oppose continuation and expansion of the use of CLOCs. (See copies of the testimony of Ellen Haas, Assistant Secretary for Food and Consumer Services, and Richard E. Pasco, representing the Commodity Distribution Coalition, reprinted in the Appendix.)

H.R. 8, as reported by the Committee on Education and Labor, contains three CLOC provisions. One provision would make permanent the current cash and CLOC demonstration sites. The second provision would authorize one statewide CLOC demonstration program in a state where 80 percent or more of the school districts participating in the school lunch program elect to participate in the statewide CLOC program. The third provision would authorize the Secretary of Agriculture to provide to schools a commodity letter of credit in an amount equal to 10 percent of their commodity entitlement to be used to purchase fresh fruits and vegetables.

The Committee deletes these three CLOC provisions from H.R. 8 as reported by the Committee on Education and Labor. The CLOC pilot projects were an attempt to find a method to meet the dual purposes of the commodity distribution program in a way that worked better for schools. By the late 1970's, some schools had become critical of the operation of the commodity distribution program.

As a result of this criticism, significant improvements have been made over the years in the commodity distribution program. Many of these improvements were mandated by the Commodity Distribution Reform Act and WIC Amendments of 1987. Since passage of that legislation, USDA has improved the quality of the commodities distributed to all food and nutrition programs, including programs for schools. Reductions in fat and sodium for products such as ground beef, turkey, and chicken have been made. Additionally, USDA is testing low fat cheeses and salad dressings to be made available to schools. USDA believes that with its purchasing power new products can be developed that will provide healthy foods to schools at potentially lower costs. USDA informed the Committee that a recent national survey indicated that three-quarters of school districts now rate the performance of the commodity system as excellent or very good.

Now that the commodity distribution program has been made more responsible to the needs of the schools participating in the National School Lunch Program, the Committee believes that the CLOC demonstration projects should be discontinued. The use of CLOCs is not as effective at stabilizing agricultural markets as is the commodity distribution program. USDA has noted that because CLOC purchases are made by schools at the consumer end of the food pipeline, and USDA purchases are made at or near the producer end, the USDA purchases have a more positive market effect.

The Commodity Distribution Coalition, a group of agricultural associations, made the following statement at a public hearing on CLOC held by the Subcommittee on Department Operations and Nutrition:

> When markets are soft in a given commodity, the Secretary can help boost market prices by purchasing the commodity that is experiencing depressed prices. For many commodities, such as pork, beef, turkey, chicken, eggs, peaches, apples, cherries and many others, the commodity distribution program represents the only significant program available to the Secretary of Agriculture as a market stabilizing mechanism.

The testimony of the coalition also notes that with the completion of the Uruguay Round of the GATT, any subsequent phasedown of agricultural price supports and loss of tariffs will leave the commodity distribution program as an even more important tool for stabilizing agricultural markets.

The Committee intends to be vigilant in its oversight of this program. The USDA and all interested parties, including schools and commodities producers, should work to make whatever changes are needed to improve the program and make it as "user friendly" for schools as possible.

The Committee notes the recent information of the USDA Commodity Improvement Council which includes the Food and Nutrition Service, the Agricultural Marketing Service, and the Agricultural Stabilization and Conservation Service. The Committee understands that this Council will address not just the nutritional quality of the commodities provided to the school lunch program, but the entire range of issues involving commodity distribution, including the form of the commodities, and the commodity distribution, transportation and storage system.

The Committee notes the intention of USDA to solicit, for a demonstration project, States interested in receiving fresh fruits and vegetables purchased and delivered by the Department of Defense for use in school food programs. The Committee understands that the Department of Defense is able to guarantee delivery on a date certain and provide a wide variety of produce purchased at low cost. The Committee encourages the Secretary to continue exploring innovative methods of commodity delivery, and expects to receive a report from the Secretary upon the completion of this demonstration project.

Waivers

H.R. 8, as reported by the Committee on Education and Labor, grants the Secretary limited authority to approve State requests for waivers to the school meals program rules. The Committee has amended that provision to include the commodity distribution program in the list of activities that are not subject to the waiver authority. The commodity distribution program is an important part of the school lunch program, and it should not be jeopardized by waivers. The Committee also amended this provision to require the Committee on Agriculture to be among those Congressional committees that receive the annual USDA report on the use and effect of any waivers granted by the Secretary.

Nutritional quality

Among the many improvements made in the commodity distribution program have been those made to the nutritional quality of the commodities. The Committee notes these improvements and encourages USDA to continue to provide commodities that are nutritious as well as appealing to the children for whom they are provided. H.R. 8, as reported by the Committee on Education and Labor, directs the Secretary to improve the nutritional quality of the commodities provided through the commodity distribution program. The Committee amended this provision to make it clear that

much has been done already by USDA to provide more nutritious commodities to the school lunch program.

Nonprocurement debarment

H.R. 8, as reported by the Committee on Education and Labor, establishes the duties of the Secretary relating to nonprocurement debarment. The purpose of this section are to promote the prevention and deterrence of instances of fraud, bid rigging, and other anticompetitive activities in the procurement of products for child nutrition programs, including the school lunch program. To assure the Committee of timely information on this issue, and its potential implication for vendors in the commodity distribution program, the Committee has amended this provision to include the Committee on Agriculture in the definition of "appropriate Congressional committees". H.R. 8 requires that those committees be given information on various activities of the Secretary in combatting fraud and anticompetitive activities and a report on a consistent debarment policy.

Private food establishments

H.R. 8, as reported by the Committee on Education and Labor, requires a study and report on the use of private food establishments and caterers under the school meals programs. Given the interest of the Committee in assuring the continued vitality of the commodity distribution program, the Committee has amended this provision to include the Committee on Agriculture among the Congressional committees that will receive the report.

SEAFOOD, MEAT, AND POULTRY REQUIREMENTS

H.R. 8, as reported by the Committee on Education and Labor, requires that the Secretary of Agriculture ensure that fish and fish products purchased by schools participating in the school lunch program be "inspected in compliance with the continuous official establishment and product inspection of the National Marine Fisheries Service" or the hazard analysis critical control point requirements promulgated by the Food and Drug Administration.

This provision was struck by the Committee on Agriculture because of concerns that the new requirement could possibly restrict the amount of fish and fish products available for use in the school lunch program.

However, most of the seafood used in the school lunch program would continue to be inspected. The National Marine Fisheries Service (NMFS) conducts a voluntary, fee-for-service National Seafood Inspection Program of seafood for domestic consumption and for export. Fish and fish products purchased by the U.S. Department of Agriculture (either entitlement or bonus commodities) currently must be inspected by NMFS. However, such products purchased by schools using non-federal funds may not currently undergo such inspection.

The Food and Drug Administration rule encompassing the hazard analysis critical control point requirements for inspection of seafood has not yet been implemented. The Committee sees no objection to a requirement that seafood used in the school meals pro-

grams be inspected in compliance with these FDA requirements once those regulations are implemented.

The Committee adopted an amendment prohibiting States from restricting processors from combining federally donated and federally inspected meat or poultry with that same product from another state. Currently, some states prohibit food processors from processing USDA meat from different states at the same time, even though the meat is the same type, grade, and quality and requires the same processing. All federally donated meat and poultry is purchased, graded, and inspected by the same federal agency and then graded again during processing. This assures the quality and integrity of the federally donated product that is used by schools.

The Committee amendment is designed to allow processors to operate more efficiently and thereby reduce the cost of processing to schools. Currently, a processor must shut down an entire line in order to process the donated meat from one state or school district. Quantities of meat are sometimes not sufficient to operate a full production line and therefore processors and school districts have higher costs. Through this amendment a processor will operate its production lines at normal capacity, the quality of the product will not change, and the cost to the school lunch program may be lowered.

The safeguards now in place to ensure that the quality of the donated meat or poultry product will remain unchanged as will those safeguards that ensure states of the same quality product they arranged to be processed.

UNIVERSAL PILOT PROGRAM

H.R. 8, as reported by the Committee on Education and Labor, establishes, subject to the availability of appropriations, a universal school lunch and breakfast pilot program under which these meals would be offered without cost to all students in attendance at participating schools. For a school to quality for free meals at least 30 percent of the school's students participating in the lunch and breakfast programs must be eligible for free or reduced price lunches and breakfasts. The Committee notes that, under the pilot program, participating schools will continue to receive donated commodities. The Committee expects that the percentage of the total federal assistance to these schools that is provided in the form of entitlement commodities will not decrease.

The Secretary is required to submit to Congress an interim report and a final report on this pilot program. The Committee expects the Secretary to keep the Committee on Agriculture informed of the progress of this pilot program, and to send copies of the reports to the Committee when these reports are submitted to Congress.

NEGOTIATED RULEMAKING

H.R. 8. as reported by the Committee on Education and Labor, requires the Secretary to use negotiated rulemaking in issuing regulations under the National School Lunch Act and the Child Nutrition Act of 1996 (except for the special supplemental nutrition program under section 17 of the Child Nutrition Act of 1966 (WIC)). Prior to publishing regulations under these two statutes, the Sec-

retary must obtain the advice and recommendations of representatives of Federal, State, and local school administrators, school food service administrators, other school food service personnel, parents, teachers, industry representatives, public interest anti-hunger organizations, doctors specializing in pediatric nutrition, and nutritionists involved with the implementation and operation of programs under the two Acts. The Committee understands that the term "industry representatives" including representatives of groups speaking for agricultural interests, particularly agriculture commodities groups, and that those representatives will have an opportunity to be full participants in any negotiated rulemaking proceedings.

WIC FARMERS' MARKET NUTRITION PROGRAM

H.R. 8, as reported by the Committee on Education and Labor, reauthorizes through fiscal year 1998 the WIC Farmers' Market Nutrition Program (FMNP), and makes a number of changes in the operation of that program. The bill clarifies that WIC funds set aside for evaluation may be used to evaluate the FMNP; deletes the authority for FMNP vouchers to be provided to those on the WIC waiting list; changes from 15 to 17 the percentage of the total amount of program funds that may be used by a State for administration of the FMNP. It also allows 3 percent of the total FMNP funds to be used by a State for market development "if the Secretary determines that the State intends to promote the development of farmers' markets in socially or economically disadvantaged areas or remote rural areas where individuals eligible for participation in the program have limited access to locally grown fruits and vegetables." The bill expands the definition of "State agency" to include any agency approved by the chief executive officer of the State, and requires that the Secretary notify the States participating in the FMNP of funding awards by February 1st of each year.

The bill as reported by the Committee on Education and Labor requires the Secretary to take into consideration the number of WIC participants not participating in the FMNP when the Secretary provides funds to serve additional recipients. It adjusts the percentage of funds available for States that wish to serve additional recipients and the percentage of funds that will be available to States participating in the FMNP for the first time.

Finally, the bill as reported by the Committee on Education and Labor deletes the authority for States participating in the FMNP to retain not more than 5 percent of funds made available to it for any fiscal year to reimburse expenses expected to be incurred during the succeeding fiscal year, and deletes the requirement that funds unexpended at the end of any FMNP demonstration project be reallocated as other unexpended funds are reallocated.

The Committee understands that these changes are supported by the National Association of Farmers' Market Nutrition Programs. The FNMP is an innovative and effective method to increase the consumption by WIC participants of fresh fruits and vegetables. At the same time, the FMNP supports the activities of farmers' markets. The Committee strongly supports the FMNP, and looks forward to continuing its work with the Committee on Education and Labor to maintain this important program.

BUY AMERICAN

The bill, as reported by the Committee on Education and Labor, amends the Commodity Distribution Reform Act and WIC Amendments of 1987 to delete Hawaii from the list of jurisdictions exempt from the requirement that recipient agencies, such as a school food service authority, purchase, whenever possible, only food products that are produced in the United States. The Committee understands that this provision is intended to address a concern within the State of Hawaii.

SECTION-BY-SECTION ANALYSIS

Described below are the amendments of the Committee on Agriculture to H.R. 8 as reported by the Committee on Education and Labor. For an analysis of the entire bill as reported by the Committee on Education and Labor, please see H. Rept. No. 103–535, Part 1, pages 44–48. The section numbers used in this report are those in the bill as reported by this Committee, unless otherwise noted.

SECTION 101—REQUIREMENT OF MINIMUM PERCENTAGE OF COMMODITY ASSISTANCE UNDER THE NATIONAL SCHOOL LUNCH ACT

Section 101 is a new provision added to the bill by the Committee that amends section 6 of the National School Lunch Act (42 U.S.C. 1755) to add a subsection (g). This new subsection requires the Secretary of Agriculture to ensure that not less than 12 percent of the assistance provided under the National School Lunch Program is in the form of entitlement commodities.

SECTION 101--NUTRITIONAL AND OTHER PROGRAM REQUIREMENTS

Section 103(f) of the bill as reported by the Committee on Education and Labor amends section 9 of the National School Lunch Act (42 U.S.C. 1758) to require that the Secretary ensure that fish and fish products purchased by schools be inspected in compliance with the inspection requirements of the National Marine Fisheries Service or the hazard analysis critical control point requirements promulgated by the Food and Drug Administration. The Committee deletes this provision.

SECTION 106—MISCELLANEOUS PROVISIONS AND DEFINITIONS

Section 106(d) amends section 12 of the National School Lunch Act (42 U.S.C. 1760) to add a new subsection (l) authorizing the Secretary of Agriculture to waive, under limited circumstances, statutory and regulatory requirements of the programs authorized by the National School Lunch Act and the Child Nutrition Act of 1966. Subsection (l)(4) lists certain activities that will not be subject to a waiver. An amendment of the Committee on Agriculture adds the commodity distribution program to this list. A Committee to new subsection (l)(6)(B) adds the Committee on Agriculture to the list of Congressional committees that will receive an annual report from the Secretary on the waivers.

SECTION 108—COMMODITY DISTRIBUTION PROGRAM

Section 108, as reported by the Committee on Education and Labor, amends section 14 of the National School Lunch Act (42 U.S.C. 1762a) to reauthorize through fiscal year 1998 the commodity distribution program for the National School Lunch Program, to require the Secretary to improve the nutritional quality of the entitlement commodities, and to require nutritional labelling on these commodities. A Committee on Agriculture amendment to section 108 provides that the Secretary shall "maintain and continue to improve" the nutritional quality for the entitlement commodities.

Section 108(b), added by the Committee on Agriculture, amends section 14 of the National School Lunch Act (42 U.S.C. 1762a) to prohibit States from restricting or prohibiting a legally contracted commercial entity from physically combining federally donated and federal inspected meat or poultry with federally donated and federally inspected meat or poultry from another State.

SECTION 111—PILOT PROJECTS

Section 111(a), as reported by the Committee on Education and labor, amends section 18(b) of the National School Lunch Program (42 U.S.C. 1769b)) to make permanent the current pilot projects testing the use of a commodity letter of credit or cash in lieu of commodities. Those pilot projects are due to expire at the end of this fiscal year. Section 111(a) also would establish a statewide commodity letter of credit demonstration program in one state if 80 percent or more of the school districts participating in the school lunch program elect to participate in the demonstration program.

Section 111(b) would permit schools participating in the school lunch program to receive 10 percent of their commodity entitlement in a commodity letter of credit to be used to purchase fresh fruits and vegetables.

The Committee deletes section 111 (a) and (b).

SECTION 114—DUTIES OF THE SECRETARY OF AGRICULTURE RELATING TO NONPROCUREMENT DEBARMENT UNDER CERTAIN CHILD NUTRITION PROGRAMS

Section 114(a), section 113(a) as reported by the Committee on Education and Labor, amends the National School Lunch Act (42 U.S.C. 1751 et seq.) to add a new section 25 establishing the duties of the Secretary relating to nonprocurement debarment under certain child nutrition programs. Section 25 requires that appropriate Congressional committees be given, upon request, information regarding both the decisions required by implementation of section 25 and the activities of the Secretary relating to anticompetitive activities, fraud, nonprocurement debarment, and any waiver granted under section 25. New section 25 defines "appropriate Congressional committees" as meaning the House Committee on Education and Labor and the Senate Committee on Agriculture, Nutrition, and Forestry. An amendment of the Committee adds the Committee on Agriculture to this definition.

The Committee understands that this definition applies to the requirement of section 114(c) that the Secretary report to the appropriate Congressional committees as to the appropriateness and use-

fulness of a consistent debarment policy under the Federal acquisition and nonprocurement regulations.

SECTION 302—STUDY AND REPORT RELATING TO USE OF PRIVATE FOOD ESTABLISHMENTS AND CATERERS UNDER SCHOOL LUNCH PROGRAM AND SCHOOL BREAKFAST PROGRAM

Section 302, as reported by the Committee on Education and Labor, requires the Comptroller General, in conjunction with the Director of the Office of Technology Assessment, to conduct a study and report on the use of private food establishments and caterers by schools participating in the school lunch and breakfast programs. The report is to be submitted to the Committee on Education and Labor and the Senate Committee on Agriculture, Forestry, and Nutrition. The Committee on Agriculture amends this section to require that the report also be submitted to the Committee on Agriculture.

COMMITTEE CONSIDERATION

H.R. 8 was sequentially referred to the Committee on Agriculture on June 23, 1994, for a period ending not later than June 24, 1994.

This legislation was originally considered by the Committee on Education and Labor, which ordered the bill, as amended, reported by voice vote on May 4, 1994. For a discussion of hearings and action by that Committee, including the minority views, see House Report No. 103–535, Part 1.

The Subcommittee on Department Operations and Nutrition conducted a public hearing on June 9, 1994, on the provisions of H.R. 8 that would: (1) make permanent the demonstration projects testing the use by school lunch programs of cash or commodity letters of credit (CLOC) in lieu of entitlement commodities under the National School Lunch Program; (2) authorize one state to participate in the CLOC demonstration project if 80 percent of its school districts approved; and (3) permit schools to receive 10 percent of their commodity entitlement in a commodity letter of credit to be used to purchase fresh fruits and vegetables.

Because of the limited time for consideration of the bill by the Committee on Agriculture, the Subcommittee on Department Operations and Nutrition on June 16, 1994, was discharged from further consideration of H.R. 8, and the Committee on Agriculture considered the bill in an open business session.

Mr. Stenholm described the bill and his en bloc amendment. The amendment deletes all of the provisions regarding CLOC, requires that at least 12 percent of the federal assistance under the National School Lunch Program be in the form of entitlement commodities, deletes provisions involving inspection of fish products, clarifies that USDA has made improvements in the nutritional quality of the entitlement commodities, and adds the Committee on Agriculture to the list of Congressional committees to whom several reports must be provided under H.R. 8. After discussion of the en bloc amendment, it was approved by the Committee by voice vote.

Mr. Boehner offered an amendment to permit federally donated and federally inspected meat and poultry of the same variety from

one state to be combined by a meat processor with that of another state. The amendment was approved by voice vote.

The Committee, in the presence of a quorum, by voice vote, approved H.R. 8, as amended by the Committee on Agriculture, and ordered the bill reported with the recommendation that it pass.

ADMINISTRATION POSITION

At the time of the filing of this report, the Committee had not received a report from the U.S. Department of Agriculture concerning H.R. 8, as amended, to amend the Child Nutrition Act of 1966 and the National School Lunch Act to extend certain authorities contained in such Act through the fiscal year 1998.

BUDGET ACT COMPLIANCE (SECTION 308 AND SECTION 403)

The provisions of clause 2(1)(3)(B) of rule XI of the Rules of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974 (relating to estimates of new budget authority, new spending authority, or new credit authority, or increased or decreased revenues or tax expenditures) are not considered applicable. The estimate and comparison required to be prepared by the Director of the Congressional Budget Office under clause 2(1)(3)(C) of rule XI of the Rules of the House of Representatives and section 403 of the Congressional Budget Act of 1974 submitted to the Committee prior to the filing of this report are as follows:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 23, 1994.

Hon. E DE LA GARZA,
Chairman, Committee on Agriculture,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office (CBO) has prepared the enclosed cost estimate for H.R. 8, the Healthy Meals for Healthy Americans Act of 1994, as ordered reported by the Committee for Agriculture on June 16, 1994. The bill would extend authorizations for certain expiring child nutrition programs and make amendments to other child nutrition programs.

Enactment of H.R. 8 would affect direct spending and receipts and thus would be subject to pay-as-you-go procedures under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

ROBERT D. REISCHAUER, *Director.*

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: H.R. 8.
2. Bill title: Healthy Meals for Healthy Americans Act of 1994.
3. Bill status: As ordered reported by the Committee on Agriculture on June 16, 1994.

80-637 O - 94 - 2

4. Bill purpose: To extend authorizations for expiring child nutrition programs, and to make amendments to other child nutrition programs.

5. Estimated cost to the Federal Government:

[By fiscal years, in millions of dollars]

	1995	1996	1997	1998	1999
DIRECT SPENDING					
Reauthorization of expiring programs assumed to continue in CBO baseline:					
Estimated budget authority	337	362	388	416	.....
Estimated outlays	287	358	384	412	62
Costs above CBO baseline:					
Estimated budget authority	23	31	36	41	29
Estimated outlays	22	31	31	41	31
Total direct spending:					
Estimated budget authority	360	393	424	457	29
Estimated outlays	309	359	415	453	93
Amounts subject to appropriations:					
Estimated authorization of appropriations	3,327	3,419	3,508	3,602	.....
Estimated outlays	3,015	3,411	3,500	3,594	336

Note.—Details may not add to totals because of rounding.

Basis of estimate: H.R. 8 would extend through 1998 the authorizations for several child nutrition programs, including the Supplemental Nutrition Program for Women, Infants and Children (WIC), the Summer Food Service Program for Children, the Commodity Distribution program, State Administrative Expenses, and several smaller programs. The bill would also make a number of changes to the National School Lunch program, the School Breakfast program, the Child and Adult Care Food program, and other permanently authorized child nutrition programs.

The CBO baseline assumed the continuation of two of the programs reauthorized under H.R. 8, Summer Food Service for Children and State Administrative Expenses. This baseline assumption is consistent with section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985, which states that "no (direct spending) program with estimated current-year outlays greater than $50 million shall be assumed to expire in the budget year or outyears." As shown in the table above, the baseline costs for these two programs total $337 million in budget authority in 1995, increasing to $416 million by 1998. Other direct spending changes increase budget authority by an additional $23 million in 1995, $31 million in 1996, $36 million in 1997, $41 million in 1998, and $29 million in 1999. A detailed table of costs begins on page 3, followed by a discussion of sections with costs totally $1 million or more over the five-years projection period.

TABLE 1. DETAILS OF FEDERAL GOVERNMENT COSTS OF H.R. 8, AS REPORTED BY HOUSE COMMITTEE ON AGRICULTURE

(By fiscal years, in millions of dollars)

Title/Section	1995	1996	1997	1998	1999	Five-year total
TITLE I—AMENDMENTS TO THE NATIONAL SCHOOL LUNCH ACT						
101 Require minimum percentage of commodity assistance under National School Lunch Act:						
Estimated budget authority	0	0	0	0	0	0
Estimated outlays	0	0	0	0	0	0
102 Codify authorization of technical assistance:						
Estimated budget authority	0	0	0	0	0	0
Estimated outlays	0	0	0	0	0	0
103 Make certain Head Start children categorically eligible for Child Care Food Program, Oct. 1, 1995, and amend fluid milk requirements:						
Estimated budget authority	(1)	1	1	1	1	4
Estimated outlays	(1)	1	1	1	1	4
104 Expand options for schools serving all free meals [2]:						
Estimated budget authority	0	0	0	0	0	0
Estimated outlays	0	0	0	0	0	0
105 Authorize $15 million for universal meal pilot [2]:						
Estimated authorization of appropriations	15	15	15	15	.....	60
Estimated outlays	1	15	15	15	14	60
106 Require negotiated rule making:						
Estimated budget authority	(1)	(1)	(1)	(1)	(1)	(1)
Estimated outlays	(1)	(1)	(1)	(1)	(1)	(1)
107 Extend authorization for Summer Food Service Program for children, 1995–1998 [3]:						
Estimated budget authority	245	264	284	306	.....	1,099
Estimated outlays	208	261	281	303	46	1,099
108 Extend authorization for Commodity Distribution Program, 1995–1998:						
Estimated budget authority	0	0	0	0	.....	0
Estimated outlays	0	0	0	0	0	0
109 Extend statewide demonstration projects, 1995–1998:						
Estimated authorization of appropriations	4	5	6	6	.....	21
Estimated outlays	4	5	6	6	1	21
110 Permanently authorize $3 million for Homeless Children Nutrition Program:						
Estimated budget authority	3	3	3	3	3	15
Estimated outlays	3	3	3	3	3	15
111 Authorize Pilot Program for Meals for Youth 13–18:						
Estimated budget authority	(1)	(1)	(1)	(1)	(1)	1
Estimated outlays	(1)	(1)	(1)	(1)	(1)	1
112 Encourage reduction of paperwork for families:						
Estimated budget authority	0	0	0	0	0	0

TABLE 1. DETAILS OF FEDERAL GOVERNMENT COSTS OF H.R. 8, AS REPORTED BY HOUSE COMMITTEE ON AGRICULTURE—Continued

[By fiscal years, in millions of dollars]

Title/Section	1995	1996	1997	1998	1999	Five-year total
Estimated outlays	0	0	0	0	0	0
113 Extend authorization for Food Service Management Institute at $1.7 Million, 1995–1998:						
Budget authority	2	2	2	2	.....	7
Estimated outlays	1	2	2	2	(1)	7
114 Amend nonprocurement debarment procedures and report to Congress within 180 days:						
Estimated budget authority	(1)	.....	.....	.....	.....	(1)
Estimated outlays	(1)	.....	.....	.....	.....	(1)
TITLE II—AMENDMENTS TO CHILD NUTRITION ACT OF 1966						
201 Permanently authorize $5 million for Start-Up Grants, of which $1 million may be used for expansion grants:						
Budget authority	5	5	5	5	5	25
Estimated outlays	5	5	5	5	5	25
Participation increases associated with Start-Up and Expansion Funds:						
Estimated budget authority	3	10	15	20	20	68
Estimated outlays	3	10	10	20	20	63
202 Extend authorization for State administrative expenses [3]:						
Estimated budget authority	92	98	104	110	.....	404
Estimated outlays	79	97	103	109	16	404
203 Extend WIC authorizaton at such sums for 1995–1998, and authorize $10.5 million for Farmers' Market Projects:						
Estimated authorization of appropriations	3,308	3,398	3,487	3,581	.....	13,774
Estimated outlays	3,010	3,390	3,479	3,573	322	13,774
204 Extend authorization for nutrition education and training at $10.3 million, 1995–1998:						
Budget authority	10	10	10	10	.....	41
Estimated outlays	9	10	10	10	2	41
TITLE III—MISCELLANEOUS PROVISIONS						
301 Consolidate school lunch and school breakfast programs:						
Estimated budget authority	(1)	.....	.....	.....	.....	(1)
Estimated outlays	(1)	.....	.....	.....	.....	(1)
302 Require GAO and OTA study of fast foods:						
Estimated authorization of appropriations	(1)	1	(1)	.....	.....	1
Estimated outlays	(1)	1	(1)	.....	.....	1
303 Require GAO study of coordinated review system:						
Estimated authorization of appropriations	(1)	.....	.....	.....	.....	(1)
Estimated outlays	(1)	.....	.....	.....	.....	(1)

BEST COPY AVAILABLE

TABLE 1. DETAILS OF FEDERAL GOVERNMENT COSTS OF H.R. 8, AS REPORTED BY HOUSE COMMITTEE ON AGRICULTURE—Continued

[By fiscal years, in millions of dollars]

Title/Section	1995	1996	1997	1998	1999	Five-year total
304 Require Hawaii to comply with "Buy American" provisions:						
Estimated budget authority	0	0	0	0	0	0
Estimated outlays	0	0	0	0	0	0
Bill total:						
Direct spending:						
Estimated budget authority	360	393	424	457	29	1,664
Estimated outlays	308	389	415	453	93	1,659
Authorization of Appropriations:						
Estimated authorization of appropriations	3,327	3,419	3,508	3,602		13,856
Estimated outlays	3,015	3,411	3,500	3,594	336	13,856
Memorandum:						
Estimated budget authority	23	31	36	41	29	161
Estimated outlays	21	31	31	41	31	156

[1] Less than $500,000.
[2] This provision could result in small increases or small decreases, with an estimated net change of zero.
[3] Expiring programs with outlays greater than $50 million are assumed to continue in baseline, as required by sec. 257 of the Balanced Budget and Emergency Deficit Control Act of 1985.

Note.—Details may not add to total due to rounding.

Source: Congressional Budget Office.

Section 101. Section 101 would require the Secretary of Agriculture to ensure that not less than 12 percent of the cash and commodity assistance provided to schools for the National School Lunch program be in the form of commodities. This proposal would give the Secretary authority to increase spending to maintain commodity assistance at this level. Commodity assistance could fall relative to cash assistance, depending on the size of future inflation adjustments for commodity subsidies and cash subsidies (commodities are indexed to the producer price index for food used in schools and institutions and cash subsidies are indexed to the food away from home series of the consumer price index for all urban consumers) and the ratio of low-income students to higher-income children (the ratio of commodities to cash decreases with increases in the proportion of poor children, because low-income students receive the same commodity subsidy as other students but a higher cash subsidy). Under the CBO baseline, which assumes that commodity assistance will average slightly more than 12 percent of total assistance (cash plus commodities) during the 1995 through 1999 period, this provision would not cause any additional spending. There is a significant possibility, however, that the provision could result in increased costs to the federal government.

Section 103. This section would make children eligible for free meals under the Child and Adult Care Food Program (CACFP), provided they were determined eligible for Head Start on the basis of income or receipt of public assistance. Children who qualify for Head Start on a basis other than income would have to meet the CACFP income guidelines, as under current law. The proposal would have little effect on CACFP spending, because most children

who meet the Head Start income guidelines also meet the CACFP guidelines for free meals. In some cases, however, a family's income may increase between the time a child is screened for Head Start eligibility and the child graduates from Head Start, and such increases in family income could make the child ineligible for free meals in the absence of this proposal. In other cases, incomplete documentation of family income can make a child ineligible for the free meal subsidy without affecting Head Start enrollment. Less than half of one percent of Head Start children are estimated to fall into one of these two situations. Extending free means to these few children is estimated to increase child nutrition entitlement spending by $1 million annually, beginning in fiscal year 1996.

Section 103 would make several other amendments to child nutrition programs, including one amendment that is estimated to have a small effect on outlays under the Commodity Credit Corporation (CCC) dairy program. The bill would amend the requirement that schools offer whole milk in school meal programs. Schools would be required to provide a variety of fluid milk, consistent with preferences demonstrated by students in previous years, unless the preference for any such variety of fluid milk is less than one percent of the total milk consumed at the school. This provision is estimated to cause a small reduction in the amount of whole milk purchased by schools, resulting in increased fat surpluses to be purchased under the dairy support program. CCC outlays are estimated to increase by less than $100,000 annually.

Section 105. Section 105 would authorize appropriations of $15 million annually in 1995 through 1998 for universal school meal pilot projects. Estimated outlays assume the pilot projects do not begin until July 1995. Schools electing to join such pilot projects would continue to receive the same level of entitlement funding as in the previous year (adjusted for inflation and enrollment), but could receive additional funding from the $15 million in appropriated funds to help cover the costs of serving free meals to all children, regardless of income. The provision is estimated to have no net effect on direct spending, although individual schools may receive a slightly higher or lower level of entitlement spending than they would have in the absence of pilot projects.

Section 107. H.R. 8 would extend the authorization for the Summer Food Service Program for Children at such sums as are necessary for 1995 through 1998. CBO baseline estimates for this program are $245 million in budget authority in 1995, increasing to $306 million in 1998. These estimates assume that 122 million meals and snacks are served in 1995, based on historical growth trends. Reimbursements per meal to operators of summer food programs are estimated to average $1.82, based on inflation projections and the historical mix of type of meal served. This section would also make a few changes to the program authorization, but none of these changes is estimated to increase spending levels.

Section 109. This section would extend through 1998 the authorization for two statewide demonstration projects concerning the participation of proprietary child care centers in the Child and Adult Care Food program. Costs for continuing the demonstrations in Iowa and Kentucky are estimated to be $4 million in 1995, rising to $6 million in 1998, based on the current cost of the programs

and the rate of growth in the past three years. The continuation of the demonstration is subject to the availability of appropriations. Other amendments in section 109 are estimated to have no effect on spending levels.

Section 110. Section 110 would permanently authorize $3 million annually for the Homeless Child Nutrition program, increasing outlays by $3 million a year. It would also direct the Secretary to continue to allocate some of the funding from State Administrative Expenses to the Homeless Child Nutrition program. This allocation does not change overall spending under State Administrative Expenses.

Section 111. Section 111 would authorize $125,000 annually in 1995 through 1998 for a new demonstration program to serve meals and supplements to youth age 13 to 18. Outlays are based on stated authorization levels and the historical spending patterns of child nutrition programs.

Section 113. Section 113 reauthorizes the Food Service Management Institute, at a level of $1.7 million annually through 1998. Outlays are based on stated authorization levels and the historical spending patterns of child nutrition programs.

Section 201. H.R. 8 would permanently extend the $5 million authorization for competitive grants to state agencies to assist schools in starting up breakfast programs. Up to $1 million of these funds could be used for a new program of grants to state agencies to assist schools in expanding existing breakfast programs. The CBO estimate for this provision includes the costs of the additional meals served by schools that start up, or expand, breakfast programs as a result of the grants. CBO assumes that if the full $5 million were for start-up grants, approximately 1,000 schools would receive grants of $5,000 per school, and that half of these schools would have come onto the program regardless of the grants, with the remaining half of the schools (or 500 schools) coming onto the program because of the start-up grants. Adding 500 new schools each year is estimated to increase meal cost by $3 million in 1995, by $10 million in 1996, by $15 million in 1997, and by $20 million per year in 1998 and 1999.

Section 202. Section 202 would extend the authorization for State Administrative Expenses. Funding for any given year is calculated as 1.5 percent of the costs expended two years earlier for certain meal programs. Funding levels are estimated to be $92 million in 1995, rising to $110 million by 1998, based on CBO baseline cost projections for child nutrition programs.

Section 203. H.R. 8 would authorize appropriations of such sums as may be necessary for fiscal years 1995 through 1998 for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). CBO estimated the authorizations by increasing the fiscal year 1994 appropriation to reflect projected annual inflation. Estimated outlays reflect spending patterns of the current program. In addition, the bill would authorize appropriations of $10.5 million in fiscal year 1995 and such sums as may be necessary for fiscal years 1996 through 1998 for the WIC Farmers Market program. CBO estimated authorizations by increasing the amount specified for 1995 to reflect projected annual inflation. Estimated outlays reflect spending patterns of the current program. All

outlay estimates assume appropriation of the amounts authorized at the beginning of each fiscal year.

Section 204. Section 204 would reauthorize the Nutrition Education and Training program at a level of $10.3 million annually, the same level as was appropriated in 1994. Outlays were estimated following historical spending patterns of child nutrition programs.

Sections 302–303. Sections 302 and 303 would require studies by the General Accounting Office (GAO). The study required in Section 302 requires the GAO, in consultation with the Office of Technology Assessment, to study the use of fast food and other restaurants, and private caterers, in school meal programs. Costs for this study would depend on the study design, but could be significant, based on the complexity of gathering a sample of schools with private food establishments, and the costs of gathering information about the nutritional profile of foods provided by such establishments. CBO estimates costs of slightly over $1 million. The second study, analyzing the unified accountability system under the National School Lunch Act, does not require as extensive data collection as the first, and is estimated to cost less than $500,000.

6. Pay-as-you-go considerations: The pay-as-you-go effects of the bill are as follows.

[By fiscal years, in millions of dollars]

	1995	1996	1997	1998
Outlays	22	31	31	41
Receipts	(1)	(1)	(1)	(1)

[1] Not applicable

7. Estimated cost to State and local government: The bill extends authorizations for State administrative expenses to cover costs for administering most of the child nutrition programs. Funds for the summer food program and the WIC program also include administrative costs for State and local governments and sponsors.

8. Estimate comparison: None.

9. Previous CBO estimate: This estimate is similar to CBO's May 27, 1994, estimate of H.R. 8, as ordered reported by the Committee on Education and Labor. Section 101 of this bill (dealing with a minimum percentage of commodity assistance) was not in the earlier version of the bill. As discussed above, Section 101 has potential direct spending consequences. This bill also strikes provisions authorizing additional spending for certain demonstrations affecting cash in lieu of commodities (CLOCs), thereby reducing the direct spending costs of the bill by about $1 million over five years.

10. Estimate prepared by: Julia Isaacs, Cory Oltman and Ian McCormick.

11. Estimate approved by: Paul Von de Water for C. G. Nuckols, Assistant Director for Budget Analysis.

INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee estimates that enactment of H.R. 8, as amended, will have no inflationary impact on the national economy.

OVERSIGHT STATEMENT

No summary of oversight findings and recommendations made by the Committee on Government Operations under clause 2(b)(2) of rule X of the Rules of the House of Representatives was available to the Committee with reference to the subject matter specifically addressed by H.R. 8, as amended.

No specific oversight activities other than the hearings detailed in this report were conducted by the Committee within the definition of clause 2(b)(1) of rule X of the Rules of the House of Representatives.

CHANGES IN EXISTING LAW (AS AMENDED BY THE COMMITTEE ON EDUCATION AND LABOR) MADE BY THE BILL, AS REPORTED

The bill was referred to this Committee for consideration of such provisions of the bill and amendments reported by the Committee on Education and Labor, as fall within the jurisdiction of this Committee pursuant to clause 1(a), rule X of the Rules of the House of Representatives. The changes made to existing law by the amendments reported by the Committee on Education and Labor are shown in the report filed by that Committee.

For the information of the Members of the House of Representatives the changes made by this Committee to existing law (as amended by the Committee on Education and Labor) are shown as follows (matter proposed to be omitted is shown in black brackets, new matter is printed in italics, and matter in which no change is proposed is shown in roman):

NATIONAL SCHOOL LUNCH ACT

* * * * * * *

DIRECT FEDERAL EXPENDITURES

SEC. 6. (a) * * *

* * * * * * *

(g) The Secretary shall ensure that not less than 12 percent of the assistance provided under section 4, this section, and section 11 of this Act shall be in the form of commodities provided under this section.

* * * * * * *

NUTRITIONAL AND OTHER PROGRAM REQUIREMENTS

SEC. 9. (a) * * *

* * * * * * *

[(g)(1) The Secretary shall ensure that fish and fish products purchased by schools participating in the school lunch program shall be—

[(A) inspected in compliance with the continuous official establishment and product inspection of the National Marine Fisheries Service; or

[(B) inspected in compliance with the hazard analysis critical control point requirements promulgated by the Food and Drug Administration.

[(2) For purposes of this subsection, the term "fish and fish products" has the meaning given such term by the Food and Drug Administration in its proposal of January 28, 1994 (59 Fed. Reg. 4195).]

* * * * * * *

MISCELLANEOUS PROVISIONS AND DEFINITIONS

SEC. 12. (a) * * *

* * * * * * *

(l)(1) * * *

(4) The Secretary may not grant a waiver under paragraph (3) of any requirement relating to—

(A) the nutritional content of meals served;

* * * * * * *

(K) the sale of competitive foods; [and]

(L) the commodity distribution program under section 14 of this Act; and

[(L)] *(M)* enforcement of any constitutional or statutory right of an individual, including any right under—

(i) title VI of the Civil Rights Act of 1964;

(ii) Section 504 of the Rehabilitation Act of 1973;

(iii) title IX of the Education Amendments of 1972;

(iv) the Age Discrimination Act of 1975; and

(v) the Americans with Disabilities Act of 1990.

* * * * * * *

(6)(A) * * *

(B) The Secretary shall annually submit to the Committee on Education and Labor *and the Committee on Agriculture* of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate, a report—

(i) summarizing the use of waivers by the State and eligible service providers;

* * * * * * *

COMMODITY DISTRIBUTION PROGRAM

SEC. 14. (a) * * *

(b)(1) * * *

(2) The Secretary shall *maintain and continue to* improve the overall nutritional quality of entitlement commodities provided to schools to assist the schools in improving the nutritional content of meals.

* * * * * * *

(h) No State shall restrict or prohibit a legally contracted commercial entity from physically combining federally donated and federally inspected meat or poultry with federally donated and federally inspected meat or poultry from another State.

* * * * * * *

PILOT PROJECTS

SEC. 18. (a) * * *

(b)(1) Upon request to the Secretary, any school district that on January 1, 1987, was receiving all cash payments or all commodity letters of credit in lieu of entitlement commodities for its school lunch program shall receive all cash payments or all commodity letters of credit in lieu of entitlement commodities for its school lunch program beginning July 1, 1987, and ending September 30, 1994 [1]. The Secretary, directly or through contract, shall administer the project under this subsection [1].

* * * * * * *

[(3)(A) The Secretary shall establish and carry out a statewide commodity letter of credit (hereafter in this paragraph referred to as "CLOC") demonstration program in 1 State under which the Secretary provides all school districts in such State commodity letters of credit in lieu of all entitlement commodities for the school lunch programs of such school districts.

[(B) The Secretary may establish and carry out the statewide CLOC demonstration program under this paragraph only in a State in which, on the date of the application by such State to the Secretary to establish such program, 80 percent or more of the school districts participating in the school lunch program under this Act have elected to participate in the statewide CLOC demonstration program.

[(C) In carrying out the statewide CLOC demonstration program, the Secretary shall provide that—

[(i) all commodity letters of credit be issued to all school districts in the State in lieu of entitlement commodities for the school lunch program beginning on the first July 1st which occurs after the date of the enactment of this paragraph;

[(ii) child care agencies and nutrition programs for the elderly in the State shall be allowed to participate in the program; and

[(iii) the State agencies responsible for commodity distribution to child and elderly nutrition programs shall administer the program.]

* * * * * * *

[(d)(1) The Secretary shall establish a program beginning on the first July 1st which occurs after the date of the enactment of this subsection to assist schools in offering greater quantities of fresh fruits and vegetables to students in order to improve the overall nutritional quality of meals served under the school lunch program established under this Act.

[(2) The Secretary shall establish procedures under which all schools currently participating in the school lunch program established under this Act may apply to participate in the program.

[(3)(A) Subject to subparagraph (B), the Secretary shall, for each fiscal year in which a school participates in the program, provide commodity letters of credit to such school in an amount equal to 10 percent of the total commodity entitlement of such school under section 6 for each such fiscal year to be used for the purchase of fresh fruits and vegetables under the program.

---

[1] NOTE: Section 110(a)(1) of the amendment made by the Committee on Education and Labor struck and inserted text to section 18(b)(1) of the National School Lunch Act. The amendments of the Committee on Agriculture struck section 110(a)(1), thereby restoring existing law.

[(B) The Secretary shall, for each fiscal year described in subparagraph (A), reduce the amount of the total commodity entitlement of such school under section 6 by the amount described in such subparagraph.]

* * * * * * *

SEC. 25. DUTIES OF THE SECRETARY RELATING TO NONPROCUREMENT DEBARMENT.

(a) * * *

(b) DEFINITIONS.—For purposes of this section, the following definitions apply:

(1) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term "appropriate congressional committees" means the Committee on Education and Labor *and the Committee on Agriculture* of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

* * * * * * *

APPENDIX

TESTIMONY OF ELLEN HAAS, ASSISTANT SECRETARY, FOOD AND CONSUMER SERVICES, U.S. DEPARTMENT OF AGRICULTURE

I am delighted today to be here to discuss USDA's vision for the future of the nation's school meal programs and how the commodity programs play an important role in advancing our goals for healthy school meals.

This week, the Department announced a comprehensive, integrated four-point framework for action to fundamentally update and continuously improve school meals. Central to this initiative is maintaining the integrity of the commodity program, while making needed improvements.

Our School Meals Initiative has one simple goal: healthier children.

President Harry S. Truman established the National School Lunch Program in 1946 in response to the young men who wanted to be soldiers during World War II, but suffered from malnutrition. The program was defined then as "a measure of national security, to safeguard the health and well-being of the Nation's children and to encourage the domestic consumption of nutritious agricultural commodities."

The mandate has not changed, but the science of nutrition has. And our programs have not kept up.

With our School Meals Initiative for Healthy Children, we are updating the nutrition standards in our school meal programs to meet health objectives. Our four-point plan includes regulatory changes and departmental actions:

1. Eating for Health: Nutrition standards will be updated to include the Dietary Guidelines for Americans by the 1998 school year;

2. Making Food Choices: We will introduce new ways to appeal to children's taste and promote their health, through nutrition education, training and technical assistance;

3. Maximizing Resources: By marshalling available resources and strengthening partnerships with state and local cooperators, USDA will improve the nutritional profile of commodities;

4. Managing for the Future: We will reduce paperwork burdens by using technology, streamlining administrative procedures, and emphasizing flexibility.

Mr. Chairman, updating the nutrition standards for school meals is our national health responsibility. Moreover, our proposed changes to the National School Lunch and School Breakfast Programs reinforce President Clinton's priorities for health care reform and government reinvention.

In the National School Lunch Program (NSLP), federally donated commodities obtained through the operation of the price support provisions of title II of the Agricultural Act of 1949 (the 1949 Act) and through the surplus removal provision of section 32 of the Act of August 24, 1935 (section 3 and section 6(a)) of the National School Lunch Act (NSLA) represent almost 20 percent of the food purchased. The meal served to more than 25 million students in more than 92,000 schools each day is the result of a cooperative effort between the farmer/producer, USDA, and school food authorities.

As we change our school meals to promote the health of children, the integrity and continued improvement of our commodity programs is central to achieving our goals. The Department, therefore, feels that the reauthorization or expansion of cash in lieu of commodity demonstration (CLOC) demonstration project is unnecessary.

Through our School Meals Initiative for Healthy Children, we are taking several important steps to improve the commodities obtained through the commodity purchases.

Working together, Food and Nutrition Service (FNS), Agriculture Marketing Service (AMS), and Agriculture Stabilization and Conservation Service (ASCS) are part of a recently formed USDA Commodity Improvement Council. The Council will promote the health of school children by improving the nutritional profile of USDA commodity offerings, while maintaining the Department's mandated support of domestic agricultural commodities and producers under the 1949 Act and Section 32. The Council will enhance coordination among the three agencies within USDA responsible for obtaining and using these commodities. The Department is committed to a systematic, comprehensive review of current commodity product specifications.

By encouraging regional and seasonal purchases, we will promote local agriculture production, and forge new links with local farmers.

And I am especially pleased to say that, as part of our new initiative, USDA will provide nutrition labeling on food including our commodity products and institutional packages, that go to schools. This information will provide needed information for food service professionals as they plan more healthful menus.

Beyond those specifics proposed in our School Meals Initiative for Health Children, the Department has already taken steps to improve the nutritional profile of selected commodities offered to schools.

We are particularly proud of the reductions we are achieving in fat and sodium. For example, bulk ground beef is currently available with an average fat content of 19 percent—as compared with the commercially available product which averages around 30 percent fat. Ground beef patties with a fat content of 10 percent are also being offered to schools. For example, the variety of poultry products has been expanded and now includes frozen ground turkey, turkey sausage, and turkey burgers with an average fat content of 11 percent, and low-fat, low-skin all-meat chicken nuggets and chicken patties.

And as this committee knows, Mr. Chairman, last year the Department doubled the amount of fresh fruits and vegetables offered to schools along with increasing the variety available.

Currently, the Department is testing low-fat mozzarella cheese with a 7 and 10 percent fat content as compared with a 20 and 25 percent fat in regular mozzarella. Reduced-fat cheddar cheese with a fat content 40 percent lower than regular cheddar is being tested in Indiana schools. Reduced-fat salad dressing has also been tested, and preliminary results are being analyzed.

Using the Department's purchasing power, we believe that we can encourage the market to develop new products that will provide healthier food to schools. New products can be available sooner, and potentially at lower cost to consumers, because of the Department's buying power.

Mr. Chairman, in your invitation to me you asked about our views on the Commodity Letter of Credit provisions of H.R. 8. These provisions extend and may greatly expand the Commodity Letter of Credit Pilot Program.

As I said earlier, I firmly believe that because of the many improvements that we have made—and are continuing to make—in the commodities made available to schools under section 32 and the 1949 Act, there is no reason to extend CLOC/Cash. Indeed, it is important that we preserve the integrity of these programs.

The CLOC pilot program began in response to complaints in the 1970's that the commodity system was not keeping pace with the needs of the school lunch program. CLOC funds were diverted from the funds available under section 32 and the NSLA.

One of the primary goals of the 1949 Act and section 32 commodity programs is to support the price of U.S. agriculture commodities by means of price support operations and removal of surplus commodities. The positive market effect of these commodity programs is most important to retain. The original CLOC evaluation demonstrated that the food value of the commodities offered by the Department was worth two to three percent more than food purchased locally with CLOC funds, in part because schools purchased more highly processed items with their CLOC vouchers.

The market impact of agricultural price support and surplus removal programs is likely to be more pronounced where the quantity of product removed from the market represents a substantial portion of the total market for that commodity.

Also, very important to the Department is the domestic origin of food purchases, a central guiding principle of these commodity purchase programs. When USDA supports the price of U.S. agricultural commodities under its price support and surplus removal operations, it acquires commodities directly from American producers and processors and can ensure that the end product is a domestic agricultural product. Both GAO and USDA found that there is no such assurance that end products are domestic in the CLOC program.

The Department has run the CLOC Pilot programs for nearly 14 years in 25 of the nearly 20,000 school districts in the United States. During that time it has conducted two evaluations of the system, and the pilot projects have been extended 6 times through

legislative action. The Department has spent over $8 million to administer and evaluate the projects in that time.

H.R. 8, the Healthy Meals for Healthy Americans Act of 1994, which was recently reported by the House Committee on Education and Labor, provides for permanent authorization of the CLOC pilot/demonstration projects. The Department sees no additional information being gained from the current pilot systems, and believes the extending them will continue the administrative costs borne by USDA to administer the projects without any additional benefit to our agriculture producers or school partners.

Secondly, H.R. 8, as reported, would add a statewide demonstration project in a State where at least 80 percent of the School Food Authorities agree to participate. A statewide demonstration has not been attempted previously, but implications for state administration have been addressed in previous studies. It is unlikely that a one-state study would be effective at yielding results that could be extrapolated for nationwide policy recommendations. In addition, start-up and implementation costs would be considerable, and funding for these costs are not specifically authorized by the bill.

Finally, H.R. 8 allows all schools to use CLOC for 10 percent of their entitlement commodities for the purchase of fresh produce. This provision would allow for a nationwide optional CLOC system that would be a substantial disruption to the current administration of the commodity programs, and it is not clear that the provision would accomplish its goal of assisting schools to increase the offerings of fresh produce in their meal programs.

The amount of funds proposed to be set aside for new CLOC's amounts to about 2 percent of total food acquisitions. The most recent data on this topic indicates that fresh produce acquisitions amount to about 4 percent of all food served. If school food authorities are given such a letter of credit at the beginning of the school year to purchase any fresh fruits and/or vegetables, the letters of credit would likely displace local funds used to purchase fresh foods rather than increasing fresh offerings.

The paperwork to administer such a system would be substantial. At the same time a nationwide optional CLOC system would produce substantial disruption and administrative complications and paperwork. Dual systems of administration would be needed, but it would not be possible to determine with any certainty how much food the Department should buy, and how much would be purchased through CLOCs.

In short, I believe that, through all of our efforts, the Department is better-suited than school systems to align the twin objectives of promoting nutrition and market stabilization.

In closing, Mr. Chairman, let me say that we face a historic challenge to improve our school meals program, and we are responding to the challenge with our School Meals Initiative for Healthy Children. As we make these changes, we must also take our commodity programs into the next century. By preserving the viability of our commodity programs, we have the opportunity to promote the health of children, and simultaneously benefit the American farmer. Under Secretary Espy's leadership, we are committed to doing both.

I will be pleased to answer any questions you or members of the Subcommittee might have.

STATEMENT OF THE COMMODITY DISTRIBUTION COALITION

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE: My name is Richard Pasco, and I am presenting this testimony today on behalf of the "Commodity Distribution Coalition." This coalition is an informal group of agricultural associations that are strongly supportive of the U.S. Department of Agriculture's commodity distribution programs, which serves the dual purposes of providing the best possible nutrition for our nation's school children and of helping stabilize U.S. agricultural commodity markets.

We appreciate this opportunity to testify on the Commodity Letter of Credit (CLOC) provisions contained in H.R. 8, a bill "To amend the Child Nutrition Act of 1966 and the National School Lunch Act." We have great concerns about how the extension or expansion of the CLOC program would affect the future viability of the USDA's commodity distribution programs.

Our coalition, which is representative of the agricultural community, is opposed to the continuation of the CLOC program. When the authority for the pilot sites testing the CLOC program and the cash alternative expire, the sites should be returned to the commodity system. We believe that the CLOC provisions of H.R. 8 threaten the long-term operational effectiveness of the overall commodity distribution system.

Coupled with severe reductions in funding for commodity purchases under The Emergency Food Assistance Program (TEFAP), the continuation or expansion of the CLOC program would signal the beginning of the end for this country's commodity distribution programs. USDA's ability to stabilize agricultural markets through large volume purchases of commodities would be seriously compromised without the assistance of a significant commodity distribution program.

The commodity program will be even more significant now that the Uruguay Round of the GATT is completed. With the successful conclusion of the Uruguay Round, the United States will face both a reduction in tariff receipts and a phase-down of direct price supports. Reductions in import tariff receipts that are used to finance USDA commodity purchases and provide direct funding to schools, will also affect the overall federal government assistance available for our nation's food assistance programs. Any phase-down of price supports and loss of tariffs will also make it more difficult for the U.S. to support agricultural production.

It is also important to note that commodity purchases by the USDA only represent about 20 percent of the food acquired for the School Lunch Program. This leaves considerable flexibility to school districts which can continue to use the vast majority of funds that are remaining for other purposes, including labor costs and purchases of food locally.

COMMODITY DISTRIBUTION PROGRAM

For nearly 60 years, USDA commodity distribution programs have provided essential foods to numerous constituencies. These

programs date back to the enactment of P.L. 74–320, on August 24, 1935. Section 32 of this statute provides that the Secretary of Agriculture may buy fruits, vegetables, meat, fish, and poultry items under a surplus removal program for donation to school food programs and other domestic food programs.

Section 416 of P.L. 83–480, enacted in 1954, gave the Secretary of Agriculture additional authority to distribute to schools commodities obtained through price support activities. Therefore, grains, dairy products, vegetable oils, and peanut products are also available for distribution to schools.

The statutory goal of the Section 32 commodity programs is to support U.S. agriculture when markets are weak. Only 13 percent of Section 32 funds go to directly support agricultural markets through the commodity program. The rest is available as cash for the child nutrition programs.

Today, the central purchasing authority of USDA provides economical commodities for the school lunch and breakfast programs, the soup kitchens and food bank programs, the Food Distribution Program on Indian Reservations, the Commodity Supplemental Food Program, and TEFAP.

The various USDA commodity distribution programs give the Secretary of Agriculture an extremely effective tool that he can use in providing assistance to America's agricultural producers. One of the major goals of our agricultural policy has been to stabilize the "boom or bust" swings in the farm economy. When markets are soft in a given commodity, the Secretary can help boost market prices by purchasing the commodity that is experiencing depressed prices. For many commodities, such as pork, beef, turkey, chicken, eggs, peaches, apples, cherries and many others, the commodity distribution program represents the only significant program available to the Secretary of Agriculture as a market stabilizing mechanism.

USDA commodity programs have not only played a special role in the development of agricultural policy, but have played an important role in the development of this nation's nutrition programs. The commodities provided for the school lunch meals, for example, have played a key role in meeting the recommended nutritional needs of children, while keeping costs down.

In recent years, the USDA and the agricultural community have worked together to improve the distribution program and the nutritional profile of products to meet the demands of recipients. By building on these improvements, the programs will be able to meet the changing needs of its recipients and simultaneously support American agriculture.

COMMODITY LETTER OF CREDIT

Originally established in the FY 1981 Appropriations Act for Agriculture, Rural Development and Related Agencies, the CLOC and Cash systems were created in the form of pilot sites, so they could be evaluated as an alternative to the commodity donation system in the National School Lunch Program. The initial demonstration project mandated a three-year study of the CLOC and Cash alternatives.

After a number of reauthorizations by Congress and years of ongoing review, it is clear that the commodity program now in place

works better than the CLOC/Cash alternative. The more than a decade long study has yielded no compelling evidence sufficient to warrant Congress to again extend and even expand the number of CLOC sites. Congressional termination of the CLOC program is long overdue.

We strongly support the USDA's position opposing all provisions in H.R. 8 that make permanent the existing pilot projects that operate Cash in Lieu of Commodities or CLOC systems or expand the number of CLOC sites. As stated by the USDA, "it is in the best interests of agricultural producers, administrators of commodity distribution systems, and recipients of the USDA's domestic commodity programs to retain the traditional commodity programs."

Commodity Letters of Credit, or even cash given directly to schools, by themselves, cannot match the buying power of a single federal department (i.e. the USDA) in making large volume purchases of commodities. CLOC purchases are made at the consumer end of the food pipeline and purchases by the USDA are made at or near the producer end.

In addition, USDA's commodity program assures the domestic origin of foods purchased, which is clearly a critical feature of the program. This assurance is not possible when products are purchased at the retail level, because current labeling requirements are not specific enough to provide local purchasers with this information.

We have serious concerns about the long-term implications of Section 110 of H.R. 8. If a whole state can opt out of the commodity distribution program, the Secretary of Agriculture's ability to have a positive impact on the market price of a particular commodity will be reduced over time, as the size of USDA purchases shrink. Moreover, as the volume of commodities purchased is reduced, the effectiveness of the commodity distribution network in providing commodities to food assistance programs outside of the school feeding program is jeopardized.

NATIONAL SCHOOL LUNCH PROGRAM

The National School Lunch Program is one of the greatest beneficiaries of the Commodity Distribution Program, with approximately 25 million school children having access to commodities through this system. Altogether the USDA provides nearly $5 billion in cash and commodities to about 92,000 schools nationwide.

As previously mentioned, the commodities provided for school lunch meals have played a significant role in meeting the recommended nutritional needs of children. We believe that agricultural producers are natural partners with schools in providing nutritious foods for consumption. In that vein, we are dedicated to the continued improvement in the quality and variety of the products we make available for use in schools.

NEGOTIATED RULEMAKING

Section 103 of H.R. 8 also would require the Department of Agriculture to use the negotiated rulemaking process before publishing any proposed regulations addressing the nutrition requirements of the National School Lunch and Breakfast Programs. We believe USDA has done an excellent job in reaching out to seek comments

from individuals and organizations through regional forums that were held around the country.

Members of our coalition, however, have differing positions on the need for negotiated rulemaking provisions of the bill. Some believe that use of the Negotiated Rulemaking Act of 1990 would complement the effort to date, by providing an opportunity for affected organizations to sit down and discuss the specific points of new nutrition regulations, in order to obtain a consensus based proposed rule.

Regardless of the approach to rulemaking, we all commend USDA for undertaking the important initiative to reexamine the nutrition requirements of the school nutrition programs in light of recent scientific advances in this area.

THE EMERGENCY FOOD ASSISTANCE PROGRAM

Although not relevant to H.R. 8, we also want the Committee to know our concern about budget cuts for The Emergency Food Assistance Program (TEFAP). TEFAP is one of the commodity distribution programs that was originally created to serve the dual purpose of eliminating farm surpluses and providing nutritional assistance to needy Americans. TEFAP continues to meet these goals, and has become an indispensible component in our nation's fight against hunger.

TEFAP is the "last line of defense" for hungry Americans. It is a reliable source of important commodities which enable food banks across the country to increase the nutritious value of food packages and reach out to those who fall between the gaps of other federal food assistance programs. With minimal federal support, TEFAP is able to accomplish an essential service through its public/private partnership and enormous volunteer support.

Not only is TEFAP a crucial part of our nation's hunger efforts—it also plays a vital role in disaster relief. When natural disasters occur, TEFAP commodities are immediately available for those in need. Food stamps are worthless when grocery stores are destroyed or transportation becomes nearly impossible. The TEFAP network is essential to a quick and coordinated relief response. From Hurricanes Hugo and Andrew, to the Midwest floods, to the San Francisco and Los Angeles earthquakes, TEFAP has provided food to victims of natural disasters that would not have been otherwise available.

We believe a functional TEFAP initiative together with an overall healthy commodity distribution system are vital components in our efforts to maintain a strong and competitive agricultural sector.

CONCLUSION

We believe that any extension or expansion of the CLOC program is a step in the wrong direction. Therefore, we urge this committee to reject the provisions of H.R. 8 that further expand the number of CLOC sites.

It is time to recognize that the CLOC program has been sufficiently reviewed after a decade of experimentation. We believe the day has come for Congress to put an end to this program. In times of serious budgetary constraints, the federal government can no

longer afford the luxury of paying the administrative cost of dual programs that serve the same purpose.

Once and for all, we must choose the commodity program over the CLOC program. There is not sufficient justification for Congress to again extend the CLOC program one more time, and continue to administer overlapping programs.

American Farm Bureau Federation, American Meat Institute, American Sheep Industry Association, California Canning Peach Association, California Cling Peach Advisory Board, Canned Fruit Promotion Service, National Association of State Departments of Agriculture, National Broiler Council, National Cattlemen's Association, National Council of Farmer Cooperatives, National Farmers Union, National Grange, National Milk Producers Federation, National Pork Producers Council, National Turkey Federation, Pacific Coast Canned Pear Service, United Egg Association, United Egg Producers, Western Meat Producers, Apricot Producers.

TESTIMONY OF THE AMERICAN SCHOOL FOOD SERVICE ASSOCIATION

Mr. Chairman, Members of the Committee, I am delighted to represent the American School Food Service Association here today. I am Marilyn Hurt, supervisor of school nutrition programs for LaCrosse, WI, and chair of ASFSA's Public Policy and Legislative Committee.

The Commodity Distribution Program has been a part of the school lunch program since the beginning. Indeed, USDA was distributing commodities to school food programs prior to the enactment of the National School Lunch Act in 1946.

On March 8, 1980 Congressman Bill Ford and Congressman Bill Goodling introduced H.R. 6841 to provide for the issuance of commodity letters of credit (CLOC) in lieu of the purchase and distribution of USDA commodities. This was the first "CLOC" legislation and it was referred jointly to the Committees on Education and Labor and Agriculture. The Committee on Education and Labor rejected H.R. 6841 on a tie vote. Out of deference to that vote, however, later that same year, on December 2, 1980 the Congress appropriated $1.975 million to conduct a three year pilot project in 60 school districts to test all cash assistance and the commodity letter of credit program.

The USDA CLOC pilot program continues today as a result of several congressional extensions in the pilot program. Throughout this entire period of time the American School Food Service Association continued to support, and supports today, the USDA Commodity Distribution Program.

Approximately 20 percent of the federal support for the National School Lunch Program is in the form of USDA commodities. The commodities are an important contribution to the economic well being of local school lunch and breakfast programs throughout the country. In addition to the 14 cents per meal in entitlement commodities we receive bonus commodities, when they are available.

During the mid 1980's, when our program suffered drastic budget cuts, we relied heavily on ample bonus commodities to reduce our food costs and provide economic stability to our programs.

In addition to the economic support provided by the Commodity Distribution Program, commodities have been a part of the historical roots of the school lunch program, one of the stated purposes of the program, and a part of the political base of the school lunch program. Section 2 of the National School Lunch Act, the declaration of policy section, provides that "it is the policy of Congress, as a measure of national security, to safeguard the health and well being of the nation's children *to encourage the domestic consumption of nutritious agriculture commodities—*" (emphasis added). It is interesting to note that in the 48 year history of the National School Lunch Act, the statute has been amended numerous times. Section 2, however, has never been amended and the stated policy of the school lunch program remains today as it was enacted on June 4, 1946.

Some might argue that from an agricultural perspective, the importance of the school lunch program is greater today than it was in earlier years. As you know, a number of agricultural organizations wrote to President Clinton on March 14, 1994 urging his support for an increase in commodity purchases for domestic distribution. Their thesis was that under GATT, domestic agriculture price supports will be lowered. However, GATT allows the United States (and all other parties to the treaty) to continue to support domestic agriculture through the purchase and distribution of domestically produced commodities.

One of the specific CLOC provisions in H.R. 8, a new idea, would be to allow schools to use 10 percent of their commodity entitlement for CLOCs for fresh fruits and vegetables. ASFSA is committed to the "Dietary Guidelines for Americans" and has endorsed all three versions, including the one released in 1990, which for the first time applied to children.

We are concerned however, about this provision because it tells us how to achieve the goal of meeting the dietary guidelines rather than focus on the goal itself. This provision could bring more paperwork to a program that has too much already. The administrative costs for this very small provision would not be a wise use of use of our limited resources.

Indeed, one of our major concerns with CLOC is the administrative complexity. Currently, the CLOC pilot programs are administered by Virginia Polytechnic Institute, which has been able to provide all of the pilots with significant personal attention. That kind of hands-on assistance would not be available if there were thousands of CLOCs, circulating around the country for different products and with different delivery times. There is a potential that this could create additional administrative costs.

One of the major goals of H.R. 8 is to lower the administrative burdens and costs suffered by the school lunch and breakfast programs. The Education and Labor Committee included many strong provisions to reduce paperwork and increase flexibility in H.R. 8. We fear that the fruit and vegetable CLOC provision would go in the opposite direction.

It is equally very important to point out that those schools which have experiemented with the CLOC pilot have, by and large, been satisfied with the program. Indeed, some CLOC sites are more than satisfied. They believe that CLOC is far superior to the commodity program. Under CLOC, commodities do not have to be stored and schools don't have to worry about whether USDA will deliver the commodities on time. We also appreciate and respect the fact that the Members of the House Education and Labor Committee, who are strong and committed allies of the School Lunch and Breakfast Programs, feel that CLOC would work better from a local school perspective.

In many ways, Mr. Chairman, the CLOC issue represents a conflict between two important, yet different, policy objectives. ASFSA will almost always support giving local school food service administrators greater flexibility and more options so that we might decide for ourselves how best to run our local programs.

In the area of CLOC and commodities, however, the goal of local flexibility comes up against the national policy objective of helping domestic agriculture. If the Congress were to terminate the Commodity Distribution Program in favor of either cash or CLOC, it would be a fair question to ask whether the school lunch and breakfast programs should remain at the Department of Agriculture. It is not my intention to answer that question today, but rather to recognize the larger policy implications of terminating the Commodity Distribution Program.

Further, if we are going to sever our link with agriculture, we should also ask whether or not we should move beyond CLOC and go straight to cash. Since 1981 when the CLOC pilots started, we have seen federal support for the school lunch programs slashed and the regulatory burden increased. If Congress were to decide that the school lunch program was no longer important as an agricultural program, then perhaps we should not impose the administrative burden of running the CLOC program, and should just give school districts cash.

Mr. Chairman, we have been talking about CLOC and cash and commodity reform for more than a decade. We actively supported the Commodity Distribution Reform Act of 1987, which improved the commodity program. The commodity program is far superior today to what it was in the eighties.

Our Association supports the national policy objective of helping domestic agriculture and believes we can work with Congress and USDA to continue to improve the commodity program in ways that will benefit both agriculture and the nation's children.

I appreciate the opportunity to be here with you this afternoon. I will be delighted to answer any questions that you may have.

o